



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Required Report - public distribution

Date: 4/20/2008

GAIN Report Number: IZ8003

Iraq

Grain and Feed

Annual

2008

Approved by:

Jonathan Gressel, Agricultural Counselor
US Embassy, Baghdad

Prepared by:

Joseph M. Carroll, Senior Agricultural Attaché

Report Highlights:

Serious drought conditions will severely damage Iraq's domestic grain prospects in 2008. Wheat production for all 18 provinces in MY 2008/09 is forecast at 1.5 MMT, down 36 percent from last year's estimated harvest of 2.3 MMT. The predominately rain-fed barley crop is expected to fall even more precipitously (60 percent) with the 2008 crop forecast at 450,000 MT. In an attempt to get ahead of the curve on rising world wheat prices, Iraq stepped up its pace of wheat imports, consequently Post's estimate of Iraq's MY2007/08 wheat imports was raised to 3.5 MMT. Wheat imports are expected to remain strong in MY 2008/09 in response to the drought and are forecast at 3.5 MMT. In the absence of a concerted campaign to step up feed grain imports, Iraq's vulnerable livestock sector can be expected to endure economic hardship in the coming year. The government's success in introducing new, higher-yielding rice varieties should enable Iraq's rice production to remain stable in this drought year, with 2008 production estimated at 410,000 MT. Rice imports are also projected to remain stable and are projected at 900,000 MT.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Unscheduled Report
Baghdad [IZ1]
[IZ]

Note: The estimates included in this report take into account the grain situation in the three Northern provinces of Erbil, Suleimanyah and Dohuk administered by the Kurdistan Regional Government of the Republic of Iraq. Consequently Post's estimates differ from official Government of Iraq estimates which do not include data from the three Northern provinces.

PSD Table

Country	Iraq								
Commodity	Wheat						(1000 HA)(1000 MT)(MT/HA)		
	2006	Revised		2007	Estimate		2008	Forecast	
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New
Market Year Begin		07/2006	07/2006		07/2007	07/2007		07/2008	07/2008
Area Harvested	1514	1852	1852	1800	1880	1880	0	1000	1000
Beginning Stocks	1200	300	300	516	300	300	350	600	600
Production	2286	2484	2484	2200	2340	2340	0	1500	1500
MY Imports	3000	3000	3000	3000	3000	3500	0	3500	3500
TY Imports	3000	3000	3000	3000	3000	3500	0	3500	3500
TY Imp. from U.S.	898	898	898	0	1600	2300	0	2000	2000
Total Supply	6486	5784	5784	5716	5640	6140	350	5600	5600
MY Exports	0	0	0	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0	0	0	0
Feed Consumption	500	300	300	200	200	300	0	200	200
FSI Consumption	5470	5184	5184	5166	5140	5240	0	5200	5200
Total Consumption	5970	5484	5484	5366	5340	5540	0	5400	5400
Ending Stocks	516	300	300	350	300	600	0	200	200
Total Distribution	6486	5784	5784	5716	5640	6140	0	5600	5600
Yield	1.509908	1.3412527	1.3412527	1.22222	1.2446809	1.2446809	0	1.5	1.5

Wheat

Production

Iraq's wheat production in marketing year (MY) 2008/2009 (July/June) is forecast at 1.5 million metric tons (MMT), down 36 percent from the estimated 2.3 MMT harvested in 2007. Total area harvested in 2008 is forecast at 1 million hectares (HA), down by nearly 50 percent from last year. In the northern, mainly rain-fed provinces of Nineveh, Kirkuk and Erbil (which accounted for about 1/3 of last year's wheat production) wheat area harvested is forecast to decline by an average of 80 percent due to a lack of rainfall in November and December.

Iraq's wheat is grown as a winter crop in the northern and central portions of the country. Plantings in the primarily dryland northern regions are large in scale and largely governed by the onset of seasonal rains which typically stretch from November into December. In the central portion of the country, wheat is produced on both large and small-scale plots using both traditional flood as well as modern irrigation methods (center pivot sprinklers). Harvest begins as early as May in central Iraq and progresses northward when the bulk of the country's wheat is harvested in June and July. Despite the drought, average yield is expected to increase as a larger portion of the crop will be harvested from irrigated fields.

Iraq's domestic production of grains is hampered by the lack of improved seed varieties, fertilizer, herbicides and insecticides. In light of this year's poor crop and drought damage to whatever crop is harvested in the North, many farmers will be unable to use seeds held back from the upcoming harvest for next year's crop. This season the MOA was able to provide only 10% of the seedstock, but farmers will need access to a significantly higher proportion to plant next year's crop.

Trade

Iraqi wheat and wheat flour imports in marketing year (MY) 2008/09 (July/June) are forecast at 3.5 MMT wheat equivalent, the same as MY 2007/08 estimate of 3.5 MMT. Approximately 70 percent of Iraq's wheat consumption needs are supplied through imports. The bulk of wheat imports are administered by the Ministry of Trade (MoT), while private sector imports are allowed, consistent data are not available. Flour imports are extrapolated from third-country export data (mainly from Turkey).

Sea movement of grain cargoes into Iraq is expected to improve as a result of developments in the Port of Umm Qasr. Located in Basra Province, Umm Qasr is Iraq's major seaport, but has long been plagued by inefficient operations, corruption, fraud, and militia activity. As part of a long range plan to ensure the security and commercial development of Umm Qasr, the Iraqi armed forces occupied the port beginning April 1, 2008. Conditions in Umm Qasr have since been calm, and port related activity has returned to normal, with improvements in grain discharge. Security gains in Umm Qasr will set the stage for the commercial development of the port in line with strategic recommendations proposed by the US Embassy-Iraq and Multi National Forces-Iraq. These recommendations include the improvement of operations in Umm Qasr's North Port under a management contract with a private operator and the development of a world class marine terminal in Umm Qasr South Port under a long term concessionary agreement with a major terminal operator or ocean carrier.

Import Trade Matrix			
Country	Iraq		
Commodity	Wheat		
Time Period	MY	Units:	1000 MT
Imports for:	2006/07		2007/08
U.S.	880	U.S.	2300
Others		Others	
Canada	720		500
Turkey	710		500
Syria	210		0
Australia	360		200
Germany	120		0
Total for Others	2120		1200
Others not Listed	0		0
Grand Total	3000		3500

Distribution

Consumption

Wheat imports purchased by the MoT, Grain Board of Iraq (GBI) are distributed under the auspices of the Public Distribution System (PDS), Iraq's food subsidy program. The PDS is designed to provide all Iraqis with a basic basket of foodstuffs free of charge, including wheat flour, rice, vegetable oil, sugar, dried milk and beans, salt, soap, and detergent. The PDS per capita food ration for flour is set at 9 kilograms (kg) per person per month, which means the program is responsible for the distribution of nearly 4 million tons of wheat per year. PDS was the second largest line item in Government of Iraq's (GOI) 2007 budget, with an outlay of more than \$3 billion. Owing to high international commodity prices, the PDS budget will likely top \$7 billion in 2008.

The MOT recently presented a proposal for reform of the PDS program to Parliament. Proposed reforms include the establishment of an income threshold for the receipt of benefits, monetization of benefits, and increased private sector participation in the Iraqi wheat and flour markets. By 2010 the MoT plans to reduce its role in commodities import and distribution and handle only a "strategic reserve" of essential basic products. Implementation of the reforms is targeted to begin in January 2009. Whether, and how quickly the GOI implements reform to the PDS remains open to question, as reforming the system is politically sensitive. The MOT's proposed reform is consistent with recommendations long championed by the U.S. government, the World Bank, the International Monetary Fund (IMF), and others. The reform effort also honors an important GOI undertaking in the International Compact with Iraq, and reflects a genuine capacity for the GOI to generate a coherent, actionable approach to a major reform initiative.

Given current increases in international food prices, the GOI is likely to take any reforms slowly. The PDS food basket accounts for a sizeable portion of caloric intake of the average Iraqi and, as it is sold at a fixed price, helps to isolate most Iraqis from skyrocketing prices. At the same time, government oil revenues have increased making the increased expenditures on the PDS more affordable.

In 2008, the MoT is projected to purchase 1.0 MMT of the domestic wheat crop for use under the PDS and for animal feed, with the balance held on farm for planting purposes, used as animal feed or sold in the free market. In 2007, an estimated 1.4 MMT of the domestic wheat crop was sold by farmers to the MoT. For 2008, the MoT has set a domestic procurement price for #1, food quality wheat at 625,000 Iraqi Dinar/MT (\$520/MT), about 15 percent higher than the 2007 domestic procurement price. By comparison, the landed price of wheat paid by the GBI under its last international tender was about \$630/MT.

Prices Table	
Country	Iraq
Commodity	Wheat
Prices in	\$ US/MT
Year	
2007 Sept	313
Oct	317
Nov	302
Dec	305
2008 Jan	315
Feb	326
March	333
Exchange Rate	ID1220 = \$1
Date of Quote	4/20/2008

Barley

Production

PSD Table									
Country	Iraq	(1000 HA)(1000 MT)(MT/HA)							
Commodity	Barley								
	2006	Revised		2007	Estimate		2008	Forecast	
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New
Market Year Begin		07/2006	07/2006		07/2007	07/2007		07/2008	07/2008
Area Harvested	1025	1406	1406	1000	1440	1440	0	550	550
Beginning Stocks	52	52	52	122	50	50	22	50	50
Production	920	1245	1245	800	1060	1060	0	450	450
MY Imports	0	0	0	0	0	0	0	110	110
TY Imports	0	0	0	0	0	0	0	0	0
TY Imp. from U.S.	0	0	0	0	0	0	0	0	0
Total Supply	972	1297	1297	922	1110	1110	22	610	610
MY Exports	0	0	0	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0	0	0	0
Feed Consumption	250	1200	1200	300	1010	1010	0	600	600
FSI Consumption	600	47	47	600	50	50	0	0	0
Total Consumption	850	1247	1247	900	1060	1060	0	600	600
Ending Stocks	122	50	50	22	50	50	0	10	10
Total Distribution	972	1297	1297	922	1110	1110	0	610	610
Yield	0.897561	0.885491	0.885491	0.8	0.73611	0.736111	0	0.81818	0.81818

Iraq's barley production in MY 2008/2009 (July/June) is forecast at 450,000 MT, down about 60 percent from the estimated 1.06 MMT harvested in 2007. Total area harvested in 2008 is forecast at 550,000 hectares, down by about 62 percent from last year. Barley production is predominantly rainfed and was devastated by this year's drought. In light of this year's poor crop, serious consideration is needed with regard to the availability of planting seeds for next year's crop.

For 2008, the MoT has set a domestic procurement price for barley at 400,000 Iraqi Dinar/MT (\$335/MT), about 38 percent higher than the 2007 procurement price. In 2007, an estimated 250,000 MT of the domestic wheat barley was sold by farmers to the MoT. The MoT subsequently sells the barley back to registered farmers at the subsidized price of \$180/MT. The MoT will likely face difficulty in maintaining this program in MY 2008/09 given the small size of this year's crop.

The MoT also maintains a domestic procurement price for corn, set at approximately \$250/MT for 2008.

Trade

In light of the projected sharp down turn in domestic barley production, imports in MY 2008/09 are forecast at 110,000 MT. It is uncertain however, how this level of imports will be realized as by most accounts the private sector is not in a position to import the volume of barley needed to off set the sharp decline in production. Unlike neighboring countries such as Iran and Syria which import an average of about 500,000 MT of barley per year, Iraq has not purchased significant quantities of barley off of the world market since 2000, when imports totaled about 250,000 MT. To date, the Government of Iraq has provided no indication that it intends to initiate any measures (e.g., a livestock culling program or government imports of feed grains) to mitigate the impact of the anticipated short fall in barley supplies. In the absence of an upturn in barley imports and/or other feedgrains, Iraq's vulnerable livestock sector can be expected to endure significant economic hardship in the coming year. Reports indicate that MOA may purchase 200,000 MT of barley, but their tendering system has not always worked well for international purchases.

Prices Table	
Country	Iraq
Commodity	Barley
Prices in	\$US/MT
Year	
2008 Sept	223
Oct	225
Nov	226
Dec	237
2008 Jan	242
Feb	255
March	266
Exchange Rate	ID1220=\$1
Date of Quote	4/20/2008

Rice

Production

PSD Table									
Country	Iraq								
Commodity	Rice, Milled						(1000 HA)(1000 MT)(MT/HA)		
	2006	Revised		2007	Estimate		2008	Forecast	
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New
Market Year Begin		01/2007	01/2007		01/2008	01/2008		01/2009	01/2009
Area Harvested	110	125	125	110	135	135	0	135	135
Beginning Stocks	100	100	100	60	15	15	63	88	88
Milled Production	153	250	250	200	273	273	0	273	273
Rough Production	230	375	375	300	410	410	0	410	410
Milling Rate (.9999)	6660	6660	6660	6660	6660	6660	0	6660	6660
MY Imports	613	615	615	900	900	900	0	900	900
TY Imports	613	615	615	900	900	900	0	900	900
TY Imp. from U.S.	0	283	283	0	300	300	0	250	250
Total Supply	866	965	965	1160	1188	1188	63	1261	1261
MY Exports	0	0	0	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0	0	0	0
Total Consumption	806	950	950	1097	1100	1100	0	1200	1200
Ending Stocks	60	15	15	63	88	88	0	61	61
Total Distribution	866	965	965	1160	1188	1188	0	1261	1261
Yield (Rough)	2.090909	3.0	3.0	2.72727	3.037037	3.037037	0	3.037037	3.037037

Iraq's paddy rice production in calendar year (CY) 2009 is forecast at 425,000 MT, slightly higher than this year's estimated production level of 410,000 MT. For 2008, the MoT has set a domestic procurement price for rice at 900,000 Iraqi Dinar/MT (\$720/MT).

Iraq produces several varieties of medium-grain, aromatic and semi-aromatic rice, most of which is grown under irrigation in the south-central region. The traditional, aromatic "Anbar" rice carries a market premium over most imported rice. The most common varieties of Anbar rice are Anbar 33 and Mishkhab 36, the yields for which have increased from about 1.7 MT/Ha to 2.5 MT/Ha in recent years. The Ministry of Agriculture's Rice Development Program has had notable success in introducing higher-yielding rice varieties to Iraqi farmers. The most common non-aromatic rice varieties grown in Iraq are Furat (1) and Yasmeen, the yields for which are 5.2 MT/Ha and 4.0 MT/Ha respectively.

Trade

Iraqi rice imports in 2009 are estimated at 900,000 MT, roughly equivalent to the estimated 900,000 MT imported in 2008. Despite several years of record production levels, domestic production only meets about 20 percent of the country's current consumption needs. As a result, rice consumption has been increasingly met through imports since the early 1970's. Like the case of wheat, greater incomes in Iraq are likely to result in increased total per capita rice demand in the future.

Import Trade Matrix			
Country	Iraq		
Commodity	Rice, Milled		
Time Period	2006	Units:	2007
Imports for:			
U.S.	308	U.S.	256
Others		Others	
Thailand	300		320
Vietnam	108		
Uruguay	31		
Pakistan	15		
South Amer.	30		60
Total for Others	484		380
Others not Listed			
Grand Total	792		636

Distribution

The PDS food ration for rice is 3 kg per person per month. PDS distribution of rice is therefore estimated at 90,000 MT/month, or 1.1 MMT/annum.

Prices Table	
Country	Iraq
Commodity	Rice, Milled
Prices in	\$US/MT
Year	
2007 Sept	794
Oct	815
Nov	839
Dec	869
2008 Jan	898
Feb	903
March	918
Exchange Rate	ID1220=\$1
Date of Quote	4/20/2008